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NEWS DIGEST

Perkins' parent places bid for rival Shoney's South

MEMPHIS, Tenn. — Tennessee Restaurant Co., the parent company of 330-unit Perkins Family Restaurants, has tendered a $13-per-share offer for Shoney's South Inc., a 170-unit franchisee of the rival Shoney's coffee shop chain.

The bid tops a management offer of $12.25 per share, which had been challenged by a stockholder lawsuit.

Tennessee Restaurant is a joint venture of Don N. Smith, former head of Burger King, Taco Bell, and Pizza Hut; Holiday Corp., parent of Holiday Inns; and the Bass brothers of Texas, who also hold a stake in Church's Fried Chicken. The company was formed with the intent of buying restaurant concerns, Smith said in an interview last year.

At that time he also commented that any acquired restaurant group competing in the midpriced market would likely be converted to the Perkins brand. Perkins is in the midst of repositioning its concept from a coffee shop to a family restaurant.

H&H pens deal to acquire International Kings Table

LAS VEGAS, Nev. — Horn & Hardart said it has agreed to acquire the 80 percent of the 85-unit International Kings Table buffet chain it does not already own for $48 million, or $20.25 per share, in cash.

An independent board appointed by Kings Table to negotiate with Horn & Hardart has recommended that the chain's directors accept the bid.

Horn & Hardart, which operates the Bojangles' fast-food chicken chain, said its agreement negates an $18-per-share leveraged buyout offer tendered by management before Horn & Hardart placed its bid.

Spillman discloses meeting with Hussung on Winners

BRENTWOOD, Tenn. — F.J. Spillman, the chain restaurant veteran attempting to take over Winners Corp., the fast-food chicken chain, said in a securities filing that he has met with M.V. "Buck" Hussung, a former president of Winners.

Meanwhile, Spillman has told the press that he met with another chicken chain to discuss the possible takeover of Winners, which operates the Mrs. Winner's fried-chicken system.

Spillman has said he would replace Winners' management. Opposition to Spillman's offer is being spearheaded by Lonnie Stout II, who succeeded Hussung as president and chief executive in 1986.

Defeated in meal cap battle, Canadians eye new fight

TORONTO — After failing to thwart passage of an 80-percent cap on expense-account tax deductions, Canadian restaurateurs are lobbying to rectify a legal glitch that prevents foreign chefs and cooks from immigrating here to hunt for jobs.

As hard-pressed as their American counterparts are for kitchen workers, this nation's restaurateurs recently discovered to their dismay that cooks and chefs are not included on the 1988 List of Open Occupations. Foreigners seeking a job not listed on the roster can immigrate only if they have a position waiting and cannot come to job hunt.

Meanwhile, operators are attempting to assess the damage caused by a new law lowering the tax deduction for business meals to 80 percent from 100 percent.

Restaurateurs here fared no better than their American brethren did one year earlier in attempting to prevent such a law.

Gunther exits Boulangerie, signs on with Pizzeria Uno

PARK CITY, Utah — Pepsico restaurant veteran Art Gunther has relinquished the presidency of Mrs. Fields Cookies' La Petite Boulangerie bakery-cafe chain and signed on as a San Francisco franchisee of the Pizzeria Uno Italian chain.

Gunther resigned as president of Pizza Hut, Pepsico's then-5,000-unit pizza powerhouse, in 1986 to assume the presidency of the fledgling, 145-unit Boulangerie chain. He joined Mrs. Fields, a string of 400 baked-good shops, when that concern bought Boulangerie from Pepsico last year.

Lou Neeb, a former president of Steak and Ale, and Jeff Grayson, whose family founded the York Steakhouse group, have also recently joined Pizzeria Uno as franchisees.

Licensees file lawsuits against Twistee Treat

NORTH FORT MYERS, Fla. — Seven former franchisees of Twistee Treat, the soft-serve ice cream chain, have filed suit against the franchise company, its officers, and a financial subsidiary.

The suits charge Twistee with, among other things, racketeering, violating the Sherman-Clayton Antitrust Act, breaching contracts in 33 instances, and committing common-law fraud 25 times.

"We think these charges are totally without merit, and we plan to fight it bitterly," said Skip Skinner, Twistee Treat's chairman. "Lawsuits in the franchise industry are not uncommon."

Chains turn to short-term promos

By Peter J. Romeo

A spate of major fast-food chains are hawking short-term promotional products this winter in an attempt to bolster traffic without resorting to profit-eating discounts.

Several have chosen chicken items as their lures, taking advantage of rock-bottom poultry prices to broaden profit margins. Beef prices, in contrast, have been trending upward.

In selected markets, Burger King is advertising a new sandwich called Chicken Deluxe, a jazzed-up version of a chicken hero introduced years ago. Unlike its predecessor, the Deluxe features cheese, tomato, and lettuce in addition to a batter-coated, deep-fried chicken fillet.

In a nod to mounting consumer interest in nutrition, Deluxe ads point out that the chicken is fried in vegetable oil rather than in beef tallow.

Franchisees can pull the item on and off their menus at will for a quick sales fix, a representative said.

Arby's, the roast-beef chain, recently rolled out a chicken cordon bleu sandwich for a two-month promotion entailing television, radio, and print advertising. The price of the sandwich—a 3.5-ounce chicken breast fillet topped with ham and Swiss cheese—varies regionally from $2.39 to $2.59.

McDonald's promoted Holiday Nuggets—a short-lived variation on its Chicken McNuggets chicken-and-dips product—before New Year's but has since switched to a temporarily available burger called the Cheddar Melt. The sandwich, consisting of a patty topped with cheddar cheese and grilled onions, is available à la carte or as part of a meal package that also includes an extralarge order of fries.

Like McDonald's, Hardee's spent early 1988 in touting new and temporarily available versions of its signature burger. The regional chain topped its quarter-pounder with salsa and cheese, ham and cheese, and tomato sauce and cheese to create Mexican, American, and Italian burgers, respectively. The sandwiches sold for $1.79.

Wendy's is the only major burger chain that has not embraced a short-term promotional product this winter, attempting to bolster sales instead with its new Superbar buffet and a new ad campaign squarely focused on hamburgers.

NRA OKs $106,000 in political donations

By Charles Bernstein

PALM DESERT, Calif. — The National Restaurant Association's Political Action Committee has approved $106,000 in contributions to 52 more 1988 Senate and House candidates "favorable to our industry," PAC chairman Ralph Brennan of New Orleans reported to the NRA's winter board meeting held here.

He added that some 700 persons have contributed $167,000 thus far toward a $400,000 NRA goal for 1988.

Brennan did not name any of the 52 candidates. Jeff Prince, NRA communications senior director, explained later that no names can be divulged until the candidates actually receive the money.

"It's not fair to name people and then discover, as could happen in rare instances, that the board has withdrawn approval for a particular candidate," Prince declared.

He did agree to release the names of the 11 incumbent senators and representatives who received NRA contributions in 1987 and through the first week of January for their 1988 campaigns.

NRA state relations committee chairman Paul Lazar of Warren, R.I., reported to the board that grass-roots efforts have risen to "272 key restaurant contacts covering 334 members of Congress" and that the 1988 goal is 350 key contacts covering virtually all of Congress "through local contacts in the individual restaurants."

"We will continue to explore ideas to educate Congress on our industry and to educate our industry on Congress," said ARA's John Farquharson, Political Education Committee chairman.

Jim Hasslocher, 1986-87 NRA president, declared (with reference to congressional legislative setbacks in the past few years) that "certainly we've received defeats, but they've been stiff left jabs, not knockouts. We need to raise our guard and decide how we can avoid these blows. There is no reason why we can't get the legislative struggle back on track."

Harry Klingeman of Winnetka, Ill., chairman of the communications committee, pinpointed "industry apathy and the labor shortfall" as today's leading challenges.

The staff leader of the NRA's intensive grass-roots legislative campaign is Colette Coleman, NRA state relations and grass-roots development director in Washington. Richard Crawford, a former member of the House Appropriations Committee, heads staff efforts with the federal government. Ronald Sarasin, a former Connecticut congressman who once was a gubernatorial candidate, is government communications director.

All three report to government relations senior director Mark Gorman.

National Restaurant Association political action committee contributions to 1988 incumbent candidates

(Year ended Jan. 8, 1988)

Sen. Pete Wilson, R-Calif.	$5,000
Sen. Christopher Shays, R-Conn.	$1,000
Rep. Buddy MacKay, D-Fla.	$500
Rep. Hal Daub, R-Neb.	$5,000
Rep. Alice R. "Ally" Milder, R-Neb.	$1,000
Sen. Daniel Patrick Moynihan, D-N.Y.	$1,000
Rep. Louise Slaughter, D-N.Y.	$1,000
Rep. Bob Clement, D-Tenn.	$500
Sen. Lloyd Bentsen, D-Texas	$1,000
Rep. Steve Bartlett, R-Texas	$1,000
Sen. Orrin Hatch, R-Utah	$5,000

Source: National Restaurant Association

Avenue Grill

(Continued from page 3)

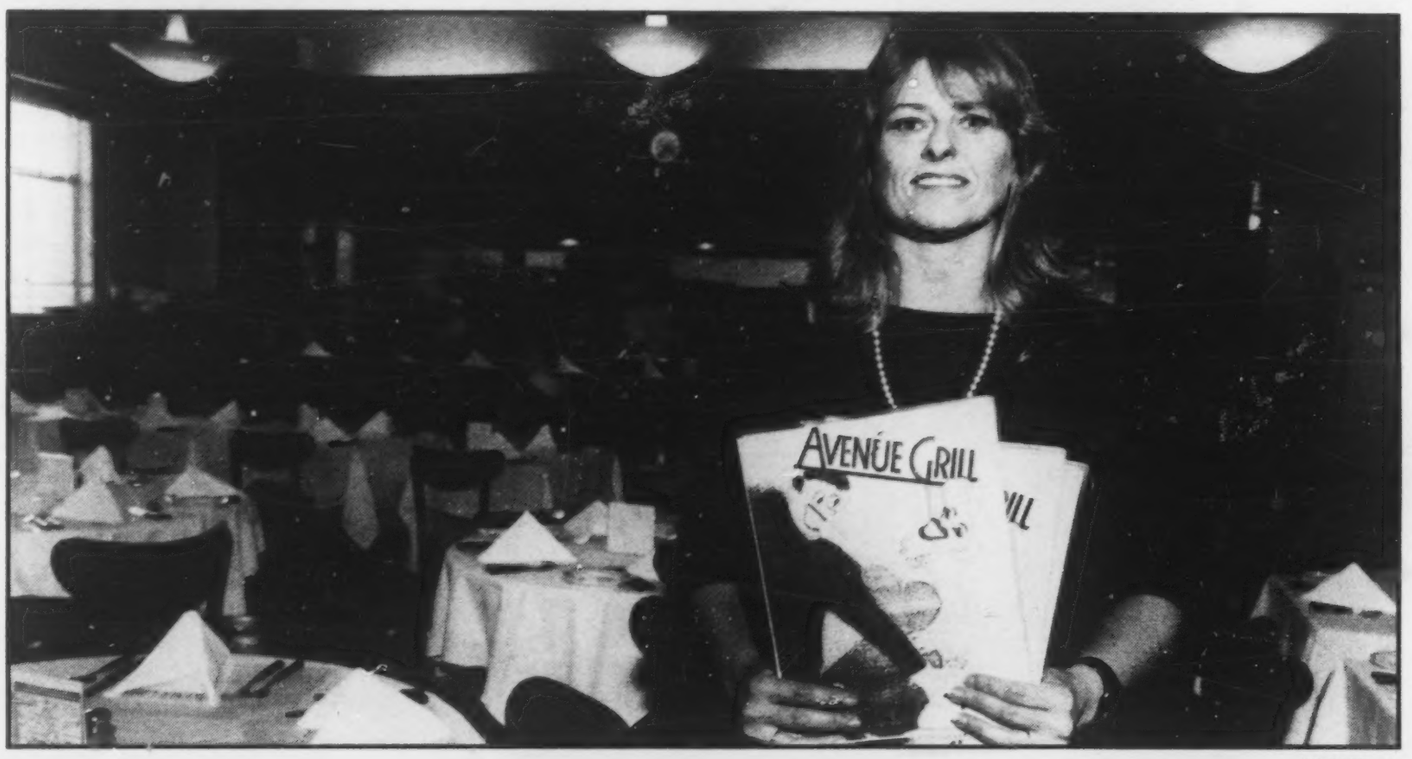
three theme nights a month. She also noted that the special events attract new business and keep the attention of repeat customers, who she estimated make up about a third of the clientele.

According to Fitzgerald, "There are people who haven't missed a Thursday night for turkey."

Cardenas, who handles marketing, mails out from 1,200 to 6,000 promotional pieces a month.

He said he started with a purchased mailing list of median-income residents in south Marin County, which he has beefed up substantially by asking customers to fill out survey cards.

The mailers are usually copies of the restaurant's snappy monthly food-fun calendar, which features such entries as "Eat your lamb (& scram)—Roast lamb and the trimmin's" and "Blackened this and Cajun that."



NRN Photo

General manager Suzanne Fitzgerald in the Avenue Grill dining room.

The mailers are just one aspect of the restaurant's marketing efforts. Avenue Grill crew participates in as many community charity events as they can, Cardenas said.

In all, the restaurant spends about 1.2 percent of sales on marketing. Little of the money is used for media space or couponing.

The managers' sense of humor is shared by many of the 35 staffers, who are affectionately referred to as "grill scouts."

One employee recently observed to a first-time customer within earshot of two little girls who regularly frequent the restaurant: "You want controversy, I'll give you controversy. I don't like children—unless they're cooked properly."

La Mancusa indicated that two things enabled the 2,000-square-foot restaurant to generate nearly $1 million last year:

- Devotion to quality. "The only things that come canned are olives, [some] tomatoes, and anchovies. We dry our own tomatoes, smoke our own meats."
- Teamwork. "There is no class discrimination [among employees]. We've all agreed that we are working for the same purpose."

That purpose, Cardenas said, is to provide a well-rounded dining experience. He said that customer feedback suggests that many patrons are receiving just that: "As many people walk out the door, they say, 'We had a good time,' not 'We had a good piece of meatloaf.' "

'White Trash' lures customers to Avenue Grill

MILL VALLEY, Calif. — Theme nights that have helped attract patrons to the Avenue Grill include:

- White Trash Night, featuring fish sticks, macaroni and cheese, iceberg lettuce with Thousand Island dressing, and soda cracker pie.
- Southern Pig Pickin', an evening centered around a rotisserie-roasted whole pig, black-eyed peas, collard greens, hush puppies, and Betty Jean Butt's parsnip pie.
- Shellfish Feast, a smorgasboard of seafood, including a champagne-cream bisque swimming with prawn, crab, and lobster chunks; Chesapeake Bay soft-shelled crab; and Half Moon Bay abalone.
- Molly Goldberg Nite, a celebration of traditional Jewish cooking complete with chicken soup, gefilte fish, chopped chicken liver, knishes, latkes, and *holishkes*.—**Alan Liddle**

CORRECTIONS

"Adtrack: Less bang for the buck," page 1, Jan. 18, contained faulty data because of a computer programming error. Corrected data appear here.

"Of all the fast-food advertising that you have read, seen, or heard in the last month, which advertising first comes to mind?"

(Percent)

	1986	1987
McDonald's	44	44
Burger King	15	14
Wendy's	8	8
Hardee's	4	4
No recall	13	14

Note: Asked of 1,000 randomly selected adult consumers.
Source: NRN Adtrack

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When beverage brands come to mind ...

According to a survey of 1,000 consumers last September, five of the top 10 brands that come to mind in unaided recall tests these days are beverages, and two others are fast-food chains (McDonald's and Burger King). The recall rates were based on ads consumers mentioned as seeing and remembering over the prior 30 days. Here are the top five "high recall" beverages:

Top 10 Rank	Beverage Brand
2	Coca-Cola
4	Budweiser/Bud Light
5	Miller/Miller Lite
6	Pepsi Cola
9	Barties & Jaymes

SOURCE: Adwatch/SRI Research Center/Advertising Age, Sept. 1987

Cooler sales are still hot, but...

Coolers (wine, beer, and spirits) again continued to outgrow and outsell all spirits last year, according to year-end industry reports. After seven months the entire cooler category was up 13 percent, to 42.4 million cases. But experts say now that the gains aren't coming as fast or as briskly and that a leveling of double-digit increases is likely to hit before 1990, as was projected earlier.

How dining-out will fare...after the Crash

According to one national sampling after last October's stock market free-fall, nearly 8 of 10 consumers don't intend to alter their short-to-middle-range eating or drinking-out plans much at all. Still, Paul Getman at the Wharton Econometrics model says: "Consumer spending will be affected in some direct and noticeable way heading into 1988. Every $1 change in stock price produces a 5¢ change in consumer spending over the subsequent year, according to our ongoing studies." He pegs '88 cutbacks for spending at $25 billion, most of it in descretionary pocketbook areas. The Brooking Institute estimates a $15 billion slowdown, especially in the early months of the new year.

SPENDING REACTION TO MARKET FALL

	Cut back	Incr.	No change
Dine out	22%	4%	74%
Clothing	20	5	76

SOURCE: Leo Shapiro/Advertising Age phone interviews 702 men/women, Oct. 20-21, 1987.

Wine brands come back to the tube

At least two major wine-makers—Paul Masson and Taylor California Cellars—are pushing mass-market California wines on national television for the first time in two years. Both took to

the tube in October with a combined outlay of $11 million. That's more than the entire wine industry (excluding Gallo) spent in 1986. It's one reason why the top import and domestic wine brands fell 3.6 percent, to 40 million cases, according to Impact research. Masson's sales were off 1.6 percent (6 million cases) and Taylor's were down 8 percent (5.8 million cases) for the year.

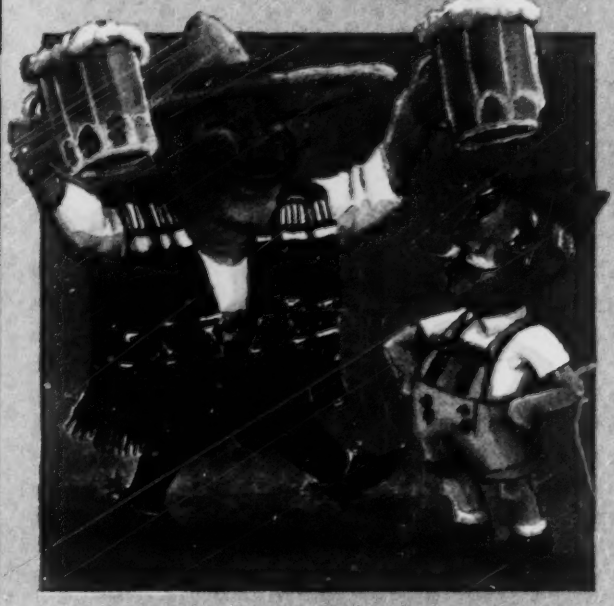
Import beer sales: the ups and downs

Midway through 1987, only Mexican and Canadian beers were posting sales increases, according to The Beer Institute. Imports from all other top foreign beer producers were down sharply from the prior-year figures. Final tallies aren't in yet, but they'll probably line up this way, based on 1986 trends—with

IMPORT BEER SALES TRENDS

Origin	1986	1987*
Netherlands	+ 3.7%	– 17.6%
Canada	+ 2.6	+ 1.0
Germany	– 0.5	– 1.9
Mexico	+79.7	+110.8
UK/Ireland	+21.7	– 10.7

*6 mos., 1987 SOURCE: The Beer Institute



a noticeable narrowing between No. 1 Heineken and No. 2 Corona: (1) Heineken (36.2 million cases in 1986), Corona Extra (13.5 million cases), Molson (13.1 million cases), Beck's (10.7 million cases), Moosehead (6.0), La-Batt's (4.6), St. Pauli Girl (3.9), Amstel Light (3.2), Dos Equis (3.2), and Tecate (2.5).

Denny's serves up 3 house brand varietals

Since late last year, Denny's has been adding a new line of house brand wines in 6-ounce bottles to the menus of select outlets around the country. By spring the chain expects to have its three "home-grown" California varietals in 95 percent of all units. The idea behind the all-out wine program is to call attention to the public that Denny's is for dinner, too—not just breakfast and lunch, says marketing vice president Barry Krantz. Denny's private-label lineup is under the Emerald Ridge label and includes: (1) a chenin blanc, (2) a sauvignon, and (3) a white zinfandel.dd bar

Wine, beer & liquor: the top 3 advertisers

Here's how Advertising Age ranks them in its annual category-by-category analysis of media spending:

BEER: $688.8 million ad spending

1. Anheuser-Busch 43.0%
2. Phillip Morris/Miller . . 29.7
3. Adolph Coors 11.3

WINE: $235.9 million ad spending

1. E&J Gallo 30.6%
2. Jos. E. Seagram 12.8
3. Brown-Forman 10.2

LIQUOR: $226.4 million ad spending

1. Jos. E. Seagram 14.7%
2. Olympia & York 9.8
3. Grand Metropolitan 9.7

SOURCE: Advertising Age, September 1987

Why premium wines are coming on...

The biggest single reason: They're pouring out higher gross profit dollars per glass, according to a recent report in Market Watch (chart below). Premium wines currently account for a growing 30 percent of the wine market—at a time when sparkling wines are starting to level and drop off around the country. The Wine Institute, in fact, reports a bell-shaped upside-down curve for the category. In 1982 sales for sparkling wines were 37.9 million gallons, up to 46.9 million in 1984, then back to 44.2 million in 1986.

PROFITS BY THE GLASS

Wine/type	Cost	Price	G/P
Inglenook Chablis/generic	$0.17	$1.95	$1.78
Macon Vire Le Grand Cheneu 1983/standard	0.80	3.25	2.40
Chateu Ste-Michelle Chardonay 1983/premium	1.39	4.50	3.11

SOURCE: Market Watch, based on national costs, minus overhead, spoilage, etc.

American women: how they drink today

A 1986 Simmons study conducted for Good Food magazine reconfirms that women are rearranging national drinking patterns in a host of key wine, beer, and spirits categories, and they are also broadly influencing the way men are mixing their drinks. Women are above the national norms in vodka and gin consumption and beat the averages in categories like brandies, table wines, and wine coolers, Simmons concludes.

WOMEN'S INFLUENCE ON DRINKING

Category	Simmons '86 Avg.	Women '86 Avg.
Bourbon	15.8%	12.3%
Scotch	11.3	10.5
Rum	20.4	19.8
Gin	14.8	17.0
Vodka	24.9	31.3
Tequila	12.7	11.0
Sparkling wine	25.0	35.3
Dessert wine	13.5	13.8
Brandy/cognac	12.6	15.3
Table wine	32.3	60.7
Beer	44.8	48.1
Wine Coolers	21.9	26.3

SOURCE: Simmons/Good Food, 1986

Soda and eggs for breakfast?

Coca-Cola says, "Hey, why not?" Its new "Coke in the morning" ad campaign, in fact, is based on research that clearly shows soft-drink consumption has increased sevenfold over the past 10 years. More to the point: Today Americans already drink more soft drinks per capita (44.5 gallons) than water. Of the total soft drinks consumed during a typical day, according to the National Soft Drink Association, 10.3 percent is drunk before noon. Coca- Cola's new Coke-in-the-morning promo kicked off in several Southern and Southeastern markets late last fall, and it is expected to spread to other parts of the country in the months ahead if early trends hold.

Top beer-makers test new products

- Anheuser-Busch, the industry leader (with 40 percent of total beer sales), recently pushed four new products out of its test kitchens: (1) O'Doul's Pale Ale, testing now in Massachusetts; (2) a non-alcohol malt called LAX, trying out in Georgia; (3) a dark beer called Anheuser Pilsner, testing in Arizona; and (4) another dark, Anheuser Mazen, in New Hampshire. The two German-type test beers are priced at the top-end beer pricing levels to explore possible AB entry into the higher-price ranges currently dominated by import labels, such as Heineken and Becks.
- Miller (22 percent of sales) is getting ready to test-fly a new draft-light companion to its two-year-old Genuine Draft label. In 1986, GD sold 3.5 million barrels, with a $37.7 million ad budget. Chances are that Miller will continue to spend big for Genuine Draft in '88, based on its $56 million outlays in '87 (vs. just $25 million for Miller High Life).

tequila's an American standard The Margarita started it...

Americans today drink more than twice as much to the native Mexican drink as Mexicans themselves. Last year, we consumed 4 million cases and sales continue to swing higher.

Tequila first crossed the border and began making its way into U.S. bars as far back as 1945. But it officially went into national distribution in 1964 when Heublein began importing the Mexican drink, and within 10 years, tequila sales topped 1 million cases.

Today Americans drink more than 4 million cases of the sharp-tasting 80-proof liquor annually—twice as much as native Mexicans consume themselves.

It's safe to say that over the past 10 years particularly, tequila has become an American standard—thanks to the popularity of the margarita and its versatility as a ready-mix and yearround seller.

Just last August, T.G.I. Friday put a reformulated frozen margarita on its year-round drink menu for the first time. "We offered a house margarita—frozen and on the rocks— chainwide, and sales increased every month to date so far," says marketing director Lindy Grooms.

Friday's margarita promotion is at full markup and will continue through 1988, he says. "Today the margarita is a universal drink. It can be, and is being, sold in all types of bars and restaurants and has outgrown the stigma of being only a Mexican food drink. We see it as a legitimate year-round seller anywhere we operate."

A pricier promo: Similar thinking prompted Dave Husach, regional vice president of Dobbs Airport Service, to develop a Gold Tequila promotion at his 15 airport lounges. He saw an opportunity to trade up his bar and lounge patrons to a pricier level of an already popular drink.

"We had margarita promotions in the past at $3 and $3.25. But for this effort, we bumped it up to $3.75 and offered it to customers in larger grandee glasses." Husach plans to rotate the promotion this year to his units in warmer climates and when seasons warm up.

Hot and upscale: Similar thinking was behind Joan Scanlon's decision to drum up a three-month tequila "quencher" stunt at New York City's Hyatt last summer. "We chose tequila because its hot and upscale," the beverage manager says. "Today it's what vodka was in the '70s."

The Hyatt created a 10-item tequila menu, with special drinks priced at $4.50 and $6—and provided complimentary tortilla chips and salsa to spice up the offer.

"We also highlighted Cuervo 1800 as a shooter and called it the Cadillac of Shooters. The glasses were presalted, and we gave them away to everyone who ordered the shooter."

Currently, at least five leading marketers and brands promote tequila—Jose Cuervo (Heublein), Montezuma (Barton), Juarez (David Sherman), Sauza (Domecq), and Pepe Lopez (Brown-Forman).

Younger customers: Target customers for tequila tend to be concentrate in the 21-to-35 age group, evenly divided between men and women, experts point out. "Generally, they're more the outgoing social types with active lifestyles who enjoy margaritas and are willing to test other tequila concoctions," a Brown-Forman spokesman points out.

More tequila is sold in the Los Angeles area than in any other metro area in the country today, nearly 2-to-1 over second-place San Francisco. Other big cities like Dallas, New York, and Chicago also rank high as tequila pockets, according to Jobson's Liquor Handbook.

The popularity of tequila figures to continue and can be traced to several factors, including (1) the growth and ongoing popularity of Mexican food and restaurants nationwide, (2) a long list of pop song his (like Jimmy Buffett's "Margaritaville" and Bobby Share's "Pour me another tequila, Sheila") that give it a lot of free publicity, and (3) the "Me Generation's" acceptance of tequila-mixed drinks as more than a passing fad.

TODAY'S TOP TEQUILA MARKETS*

*Figures in parens represent thousands of 9-liter cases.

Source: Jobson's Liquor Handbook, 1986.

THE MARGARITA...AND OTHER 'STRONG' TEQUILA DRINKS

1 THE SILK STOCKING

Ingredients: 1 oz. evaporated milk, 1 oz. sweetened condensed milk, ¼ oz. Grenandine syrup, 1 oz. premium Gold Tequila, 3 to 4 ice cubes, sprinkle with cinnamon (optional). **Directions:** Blend first five ingredients until the mixture reaches a smooth consistency like a colada. Dust with cinnamon and serve in a champagne glass.

2 CRANDADDY

Ingredients: 1 oz. premium tequila, 5 oz. cranberry juice, 1 oz. Triple Sec, an orange slice. **Directions:** Fill large glass with ice. Add tequila, juice and triple sec. Stir and garnish with orange slice.

3 MARGARITA

Ingredients: 1½ oz. premium tequila, 1 oz. Triple Sec, 1 oz. lime juice, lime slice. **Directions:** Rub rim of cocktail glass with rind of lime, dip rim into sale. Shake ingredients with ice and strain into glass. Garnish with lime slice.

4 GOLD COASTER

Ingredients: 1 oz. premium tequila, 5 oz. orange soda, lime wedge. **Directions:** Pour tequila over ice in tall galss, add soda and stir. Squeeze and drop lime into drink.

5 GRAPE GATSBY

Ingredients: 1 oz. premium tequila, 5 oz. white grape juice, fresh grapes. **Directions:** Fill tall glass with ice, pour it tequila and juice and stir. Garnish with grapes.

The Margarita started it...but now tequila's an American standard

3/28/88 C 5150-5

NEWSPAPER

Ready to Eat: Gourmet shops
Focus/Follows page 22

Guzay learns a lesson with Allora restaurant
New York Metro Report/Page 43

Buying equipment? Look for durability
Operations & Equipment/Page 18

Nation's
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The Weekly Newspaper of the Food-Service Industry

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FICA perils tips

Operators mull new service charges

By Joe Edwards

The new Social Security (FICA) tax on reported tips is reviving an old debate among restaurant operators on the usually vilified mandatory service charge.

Service charges are automatically added to restaurant bills in other countries, where, in French, it is *service compris*. American restaurateurs, however, shun automatic tips.

With the new tax, however, restaurateurs are expressing interest in the mandatory service charge.

Their reasons: It is easier, it is no longer an added expense, and it will protect them from liability if the Internal Revenue Service audits waiters and waitresses and finds they have been underreporting their tips.

Apathy is the villain
Bernstein, Page 7

NRA tries new tactics
Rankin, Page 52

In the past those who charged an automatic tip have had higher payroll costs because they paid Social Security, or FICA, taxes on their wait staff's total earnings, while restaurateurs without a service charge paid FICA tax only on the minimum wage—$3.35 an hour minus a 40-percent tip credit.

The new law puts all operators on equal footing, whether or not they have mandatory service charges.

The law requires them to pay FICA taxes, at a rate of

*(See **FICA**, page 66)*

NRN Photo

Duncan McCoy shows off his Texas Tumbleweed.

Houston diehards hail city's recovery

By Carolyn Walkup

HOUSTON — Battle-scarred restaurant operators here are confident that more prosperous days lie ahead and that Houston's economic recession has bottomed out.

"The restaurants that are in the market now have survived some tough economic times. Calm water is not too far off," said Glenn Rex, director of Houston member services for the Texas Restaurant Association.

"For the first time in the past several years, the fourth quarter of '87 had an improvement over prior years. And that seems to have held up after the first of the year," he noted.

A sampling of operators in all segments supported those claims.

In the fast-food end, sales at Whataburger's Houston units

*(See **HOUSTON**, page 66)*

H&H to sit at King's Table

Buffet chain agrees to $48 million takeover

By Rick Van Warner

NEW YORK — Seeking to bolster its restaurant division, Horn & Hardart has agreed to acquire International King's Table for about $48 million cash.

The restaurant and mail order company's offer of $20.25 a share for the 90-unit, buffet-style restaurant chain sinks a previously approved, management-led takeover bid of $18 a share.

The deal would also project H&H, famed for its New York Automat, into the West and into a new segment of the food-service business.

"We feel confident that we can produce a much better bottom line under our management umbrella," chairman Barry Florescue said in a prepared statement.

"It [King's Table] appeals to a segment of the market which is growing and which we believe will continue to grow," Florescue added.

An independent board appointed by the Eugene, Ore.-based company recommended that King's directors accept the offer for the 80 percent of the company Horn & Hardart does not already own.

Florescue

While H&H has reiterated its plans to focus on building its Hanover House consumer direct mail business, it is

*(See **KING'S**, page 66)*

FOOD WATCH

Dobbs, Jack in Box go Hawaiian

Searching for ways to tap mounting interest in regional American cuisines, two food-service operators are reaching halfway across the Pacific Ocean to embrace the Polynesian fare of Hawaii.

Dobbs Houses, Greyhound Corp.'s airport concessions operator, has opened a Hawaiian restaurant called Luau at Memphis [Tenn.] International Airport. The outlet is an updated version of a concept Dobbs abandoned in the 1970s.

The menu includes such island specialties as Celestial Chicken (strips of deep-fried, sesame-and-crumb-coated chicken served with a cream sauce), Hawaiian barbecued ribs, and Hukai pie (a Hawaiian version of black-bottom pie, with a ginger-snap crust, a bottom layer of chocolate, and a top section of rum-flavored custard).

In Hawaii, Jack in the Box, the 900-unit fast-food hamburger chain, has added a new Paniolo breakfast, which is named after a Hawaiian folk hero. The new item consists of two scoops of rice, scrambled eggs, and slices of Portuguese sausage. A Hawaiian-styled beverage, a blend of orange and passion fruit juices, is also featured.

10 famed restaurants elected into Fine Dining Hall of Fame

NEW YORK — Ten leading fine-dining restaurants have been elected into Nation's Restaurant News' Fine Dining Hall of Fame.

The 1988 Hall of Famers are An American Place, New York; Cafe Annie, Houston; Cafe Provençal, Evanston, Ill.; Campton Place, San Francisco; Chanterelle, New York; Chinois on Main, Santa Monica, Calif.; Masa's, San Francisco; Mr. B's Bistro, New Orleans; Rancho de Chimayo, Chimayo, N.M.; and Restaurant Jasper, Boston.

Hall of Fame '88

The balloting for this year's awards was conducted among the 70 previous winners and the editors of Nation's Restaurant News.

The Fine Dining Hall of Fame awards are presented annually to the owner or owners of restaurants that embody the highest standards of food preparation, table service, consistency of operation, employee training and motivation and enhance the fine-dining experience in general.

The 1988 award winners will be profiled in Food Trends in Fine Dining, a special magazine that will be published by Nation's Restaurant News May 9, 1988.

The 1988 winners will also be honored along with previous inductees at a champagne luncheon in Chicago in May during the National Restaurant Association show.

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NEWS DIGEST

Marriott set to begin Big Boy transformation

LOS ANGELES — Marriott Corp. is poised to begin the transformation of its 208 Bob's Big Boy coffee shops to a new dinner house concept bearing the name "Marriott," according to employees.

The hospitality giant, which transferred Big Boy franchise rights late last year to Warren, Mich.-based licensee Elias Brothers, is expected to erect the new signage at a number of its 135 units in Southern California.

"They're wiping out the Big Boy name and taking away the Big Boy statue," a Bob's employee said. Citing the recent installations here of $8.95 shrimp and barbecue buffets, a Bob's worker said Marriott wants to "get away from the coffee shop image and become more of a dinner house."

Golden Corral's parent discloses Winners stake

BRENTWOOD, Tenn. — In yet another twist in the quest for control of the Winners Corp. fried-chicken chain, the parent of Golden Corral steak houses has disclosed its ownership of a 5.2-percent Winners stake.

Investors Management Corp., which operates franchised Church's fried-chicken units as well as the 500-unit Golden Corral chain, said it acquired 210,000 Winners shares solely for investment purposes. However, Investors chairman James Maynard said in an 1987 interview that the holding company plans to diversify in part through acquisitions.

Chain restaurant veteran F.J. Spillman has tendered a $4.25-per-share bid for the 90-percent of Winners he and partners do not already own.

Winners president Lonnie Stout II has vowed to combat any takeover attempt by outsiders. The company is negotiating a deal whereby its chairman, Jack Massey, would purchase additional Winners shares to expand his and his family's stake, which currently stands at 17 percent.

Burger King tests Wolf Brand Chiliburger

DALLAS — Burger King is testing a chili-topped hamburger called the Wolf Brand Chiliburger, which takes its name from the locally popular Wolf Brand canned chili.

Tests of the 99-cent sandwich here and in San Antonio mark the second time Burger King has used the name of a retail product for a new version of its signature charbroiled burgers. Last year the fast-food giant introduced a Bull's Eye Barbecue Burger, named after a well-known brand of barbecue sauce.

The Wolf Brand Chiliburger sales trials began shortly after Burger King hired Mark Thomas, formerly Chili's menu specialist, as vice president of menu development and new products. Thomas assisted in transforming the Chili's concept from a so-called gourmet burger outlet into a casual dinner house with a broad menu.

Wendy's gives Teter control over all company units

Teter

DUBLIN, Ohio — In the latest alteration of its management structure, Wendy's promoted Gordon Teter to executive vice president in charge of all 1,100 company units in North America.

That responsibility had been part of president Jim Near's duties since Rick Postle resigned as president of company operations to become a franchisee almost a year ago. At that time, with Wendy's reporting deep losses, Near decentralized the chain by reassigning five high-level executives to field positions.

Teter joined Wendy's in September as senior vice president of special projects. He was previously president of the Casa Lupita Mexican dinner house chain and has served as executive vice president of Casa Lupita's former parent, Ponderosa.

KFC splits ad account, taps JWT for delivery

ATLANTA — Kentucky Fried Chicken has split its advertising account, reassigning responsibility for home delivery marketing to J. Walter Thompson Atlanta while retaining Young & Rubicam New York as the agency of record for all other work.

Previously, all KFC advertising was handled by Young & Rubicam New York.

J. Walter Thompson said it was chosen from among eight U.S. agencies.

Kettle negotiates sale to investor group

HOUSTON — Kettle Restaurants, a 207-unit coffee shop chain based here, said it is negotiating with a group of Florida investors interested in acquiring all outstanding Kettle shares for an undisclosed amount.

The investors group, led by Ronald Hayes, Robert Hackney, and Augusta Equity Partners Ltd., already holds options to purchase approximately 34 percent of Kettle's stock for $8 per share, the company said.

Hayes is president of a Jupiter, Fla.-based concern called Lincoln Consulters & Investors. Hackney is a partner of the West Palm Beach, Fla.-based Hackney & Hackney law firm. Augusta is a Deerfield Beach, Fla.-based consulting and investment company.

Annabelle's to develop unit for Embassy Suites hotel

CHICAGO — Annabelle's Restaurants, a local operator of seafood restaurants, said it had agreed to develop and manage a new crab house concept inside an Embassy Suites hotel planned for nearby Lombard, Ill.

Embassy Suites, an all-suites chain operated by Holiday Corp., has used a number of outside companies, including Restaurant Associates, Saga Corp., and S&A Restaurants, to manage its hotel food-and-beverage facilities.

The planned AnnaB's will feature crabs and fresh seafood, Annabelle's said.

IACVB: Restaurants reap riches from conventions

CHAMPAIGN, Ill. — Restaurants gathered $8.7 billion in sales during 1987 from out-of-towners attending conventions, according to the International Association of Convention and Visitors Bureaus.

That tally represents 23.3 percent of the total $37.5 billion spent by convention attendees last year, the association reported.

Ninfa's branches into home delivery market

HOUSTON — In a move that could break new ground in the burgeoning home delivery market, the 10-unit Ninfa's Mexican dinner house chain has launched a new business called Ninfa's Fajita Delivery Service.

Although many pizza and chicken restaurants have branched into home delivery in recent years, few Mexican outlets, and even fewer full-service concepts like Ninfa's, have followed their lead.

The new venture, which delivers Mexican side dishes as well as fajitas to patrons' homes, is under the direction of Ninfa's veteran Alfonso Rincon, who was recently promoted to director of operations.

Mr. Steak expands menu in new marketing push

DENVER — Mr. Steak, the 83-unit steak house chain attempting to reorganize under Chapter 11 of the bankruptcy code, has added a line of traditional home-style meals, including pork chops, meat loaf, and roast turkey.

The Home Sweet Cookin' line is part of a new food-oriented marketing strategy that calls for Mr. Steak to launch a promotion of a new line of fajitas soon. The chain said it would also tout seafood during the Lenten season.

Let the eating begin: Tourists descend on Calgary

175,000 Olympics fans to spend $30M on food

By Alan Liddle

CALGARY, Canada — Olympics-bound tourists, an estimated 175,000 of them, are expected to spend about $30 million on food and beverages during the 16-day run of the games, tourism industry officials here said.

And dozens of local restaurateurs, in an effort to show they want to earn their share of that increased spending, have publicly pledged to avoid shady business practices.

In another Olympics-related development and in deference to Olympic visitors, the local alcohol control board is permitting Calgary pubs and taverns to stay open on the three Sundays that fall during the games. Calgary pubs are not normally permitted to do business on Sunday.

The "code of ethics" adopted by Canadian operators is part of an Olympic Hospitality Program encouraged by Olympic organizers, put together with the help of government tourism officials, and overseen by the 800-member Alberta Restaurant & Foodservices Association. The Calgary program was inspired by one developed for the 1984 Los Angeles Summer Games by the California Restaurant Association.

Buzzards Wine Bar and Bottlescrew Bill's pub are among the 102 Alberta Province restaurants taking part in the hospitality program. The code of ethics to which they and others have agreed asks restaurateurs to resist price gouging and building in hidden costs during the games, and it encourages them to offer "fair value," good service, and fair currency exchange rates.

Deborah Nickerson, Buzzards' general manager, said that before the games started on Feb. 13 her entire staff attended a six-hour, four-part service seminar staged as part of the hospitality program.

The seminar, she said, addressed such things as the cultural differences that might arise while foreign customers are being served, and it provided general information that might answer tourists' most common questions about the Olympics.

"We've put about 2,000 people [primarily front-of-the-house employees] through the training seminars since the first of October," Al McRoberts, executive director of the restaurant association, said.

Nickerson said that operating hours at her establishment had been extended in anticipation of increased business and that extra menus had been printed in French and German.

Special promotions at her restaurant include the sale of sweat shirts depicting the Buzzards' mascot involved in various Olympic events.

As an indication of how big events can affect the business climate in Calgary, a city of about 640,000 people, Nickerson said that during the city's annual Calgary Stampede, a rodeo that draws about 100,000 visitors, sales can rise to double or triple the norm.

Joy Kolsun, of the Calgary Tourist and Convention Bureau, said she expected the economic impact of the Olympics to greatly surpass that of the Stampede because the average tourist is staying five to seven days for the games compared with two or three for the rodeo.

Kolsun said visitors to the Olympics are expected to spend $87 million on lodging, food, and miscellaneous items. About half, or 82,000, of those tourists will be from the United States, with another 7,000 from other countries, she predicted.

"Everybody is really geared up for the Olympics and expecting visitors from all over the world," she said, adding, "I think we'll be good hosts."

XV Olympic Winter Games

Projected food-service sales: $8 million to $10 million
Food-service contractors: 40
Food-service workers: 4,100
Attendance: 1.6 million tickets sold
Estimated tourism generated: 175,000 visitors/$87 million
Estimated dollar benefit to local restaurants: $30 million

Source: NRN

Mantle hits Central Park home run with namesake restaurant, sports bar

By Ken Frydman

NEW YORK — New York Yankees' Hall of Fame slugger Mickey Mantle has teamed up with New York Restaurant School founders Bill Liederman and John Lowy and several West Coast investors to open his namesake restaurant and sports bar overlooking Central Park.

Principal investors Sam Stein and Jan Clark spent $750,000 to open Mickey Mantle's on the 9,200-square-foot site of what had been a French restaurant called Les Tuilleries. Fortunately for them, it was in considerable financial hardship at the time of its demise.

"We got a 15-year-lease at $45-a-square foot with all the equipment thrown in and no key money," said Liederman while leading a tour of the 3,200-square-foot downstairs prep kitchen, which runs the length of the block from Central Park South to West 58th Street.

Liederman projects gross sales of $100,000 a week at Mickey Mantle's—or $5.2 million during the first year of operation.

"We did $35,000 over the first four nights," he said.

The baseball-memento-packed restaurant-bar at 42 Central Park South, opened to the public early this month, has been attracting a demographic mix of tourists from the hotels along Central Park South, business people from midtown Manhattan, and sports fanatics anxious to watch their favorite teams in action on the television monitors. But the biggest draw has to be the legendary 57-year-old Mantle himself, who will spend at least 45 days a year on the premises, he said.

"We've been getting calls from people in Chicago and Washington who are coming to New York and want to reserve a table," said reservation clerk Chauncey Gilbert. "Mickey Mantle is still a very popular sports figure."

So popular, in fact, that "we're three deep at the bar and have been turning away reservations every night," Liederman said.

However, Mickey Mantle's is intended to be much more than a sports shrine. Together with his brother, David Liederman of David's Cookie's and Chez Louis restaurant fame, Bill Liederman and day-to-day operating partner John Lowy have created a contemporary food menu for their 140-seat bilevel restaurant and 40-seat bar.

Hoped-for signature entrée items will include pecan-breaded breast of chicken ($16), hickory-smoked St. Louis ribs ($17), and half-pound choice chopsteak hamburgers ($13). Key appetizers are oysters ($9) and clams ($7) on the half-shell and Louisiana crab cakes in spicy pepper sauce ($8).

Liederman and Lowy plan to open soon for lunch and add a 3 p.m. -to- 5 p.m. limited-menu period called "Mickey's Quickies." And a possibility down the road is a chain of Mickey Mantle's in such baseball-crazy places as Tokyo and southern Connecticut, said Liederman.

For his part, Mantle has agreed to make 12 promotional appearances a year at Mickey Mantle's to "sign books and baseballs," Liederman said. Mantle will be paid an $80,000-a-year fee for the merchandising rights to his name plus a small equity percentage in the operation.

In a savvy merchandising move, Liederman and Lowy managed to secure the telephone number (212) 688-7777 for Mickey Mantle's: Mantle wore uniform No. 7 every year but his rookie season, when his number was 6.

"We wanted to get 777-7777, but it would have cost us $50,000 to get that Wall Street exchange and have the telephone company run a special wire into the place," said Liederman, who has outfitted the service staff in No. 7 uniforms.

After 18 years with the Yankees, Mantle retired after the 1968 season with 536 home runs and a debilitating knee injury.

He subsequently lent his name to bowling alleys; bought a piece of a Holiday Inn in Joplin, Mo.; broadcast Yankees games and became a partner in a failed chicken restaurant chain, Mickey Mantle's Country Kitchen.

The chain's logo, "To Get a Better Piece of Chicken You'd Have to Be a Rooster," was undoubtedly more memorable than the product.

NRN Photo

Mickey Mantle speaks at his opening-day press conference.

Oakland, citing urban blight, halts new restaurant permits

By Alan Liddle

OAKLAND, Calif. — Concerned that fast-food restaurants are leading to urban blight, this city is clamping down on new outlets.

Citing problems of blight around failed fast-food restaurants and problems associated with some of the survivors, the city council placed a 90-day moratorium on the issuance of new permits for such businesses.

Exceptions to the ban, which covers all but two industrial areas of the city, will be made for operators proposing to open in shuttered restaurants, city officials said.

Alvin D. James, Oakland planning director, said the moratorium was passed in an effort to halt development of new fast-food restaurants while his staff investigates the possibility of "tightening controls over these types of [land] uses."

At least one councilman, Leo Brazile, reportedly favors basing future approval of permits on demographic studies supplied by operators. He recommended that they be required to demonstrate beforehand that a new restaurant can survive at a proposed site.

Some councilmen voted to widen the ban because they, too, were concerned about vacant restaurants that have become magnets for graffiti, litter, and loiterers.

It was Brazile who raised the issue of a moratorium. But his proposal was aimed at just his district, where four of at least six abandoned fast-food restaurants are located.

Planner James indicated some of Brazile's colleagues voted to widen the ban because they, too, were concerned about vacant restaurants that have become magnets for graffiti, litter, and loiterers.

Others, he said, supported a near citywide ban because of concerns about other problems, such as the disruption of traffic, which they associate with operating units.

Oakland restaurants flying the banners of Pioneer Chicken, Wendy's, Jack in the Box, and Church's Chicken as well as a unit run by a defunct regional operator, Doggie Diner, have closed in recent years and, in some cases, remain vacant.

Popeyes' Fried Chicken tried to open in one of the shuttered sites, but neighborhood opposition ultimately killed the project.

Operators exchange ideas at Miami meet

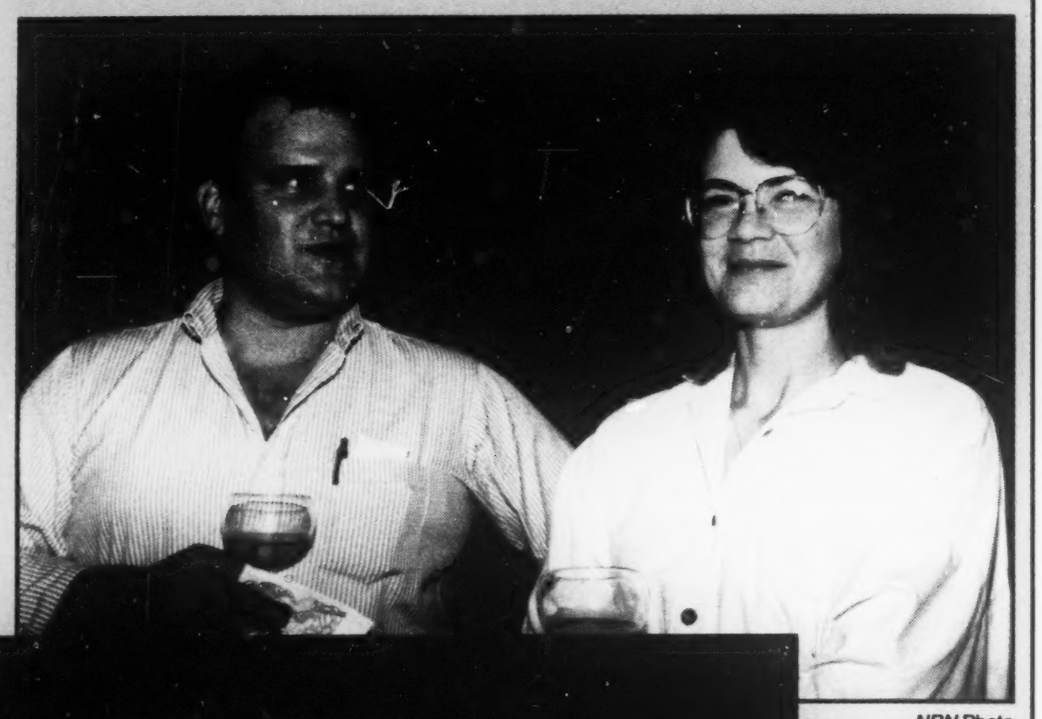
MIAMI BEACH — About 160 independent restaurateurs from around the country converged on the Fontainebleau Hilton Resort for a three-day midwinter conference sponsored, in part, by the Education Foundation of the National Restaurant Association.

In between informal get-togethers and walks on the unseasonably chilly Atlantic Ocean beaches, restaurateurs exchanged notes and ideas.

They also attended a variety of workshops and listened to speeches on restaurant design basics, service, management techniques, fish and seafood essentials, catering, and menu marketing. Other topics included interviewing, supply-side management, seasonal operations, managing family businesses, public relations, expansion, turnaround tactics, and signature foods for grocery sales.

The restaurateurs also heard speeches by Robert Patterson of Laventhol & Horwath; Gary Penn of the Professional Waiter's School; Leslee Reis of Cafe Provençal in Evanston, Ill.; and Mike Hurst of the 15th Street Fisheries.

Eric and Terri Skoog of Cronk's Café in Denison, Iowa, talk over refreshments during a break in the action. Below, Bob Nyman of George Lang Corp. trades ideas with Leslee Reis of Café Provençal.



NRN Photo

NRN Photo

Ryan's tests Italian items in its Megabar buffet

Doubles weekend breakfast test

By Rick Van Warner

GREENVILLE, S.C. — After shelving its Italian dinner house project, Ryan's Family Steak Houses Inc. has begun testing an array of Italian items on its all-you-can-eat Megabar buffet.

At the same time the 98-unit operator has doubled its test of weekend breakfast to four stores, and it is exploring Mexican fare and testing a double-serving line.

Ryan's, which is scrambling to keep sales climbing, had put the "At'sa Pasta" dinner house idea on hold following the October stock market crash. With the concept behind it, the company is concentrating on spurring sales with new products.

The Italian fare now is being tested in six stores, Monday through Wednesday. Lasagna, spaghetti, pizza, Italian sausage, ravioli, seven different pasta salads, and Italian vegetables are being offered on those days from one side of the $3.99, self-serve, 60-item Megabar.

"At this point, we've gotten good response from customers," said Mark McCall, Ryan's chief executive. "They are eating those products somewhere now; hopefully we'll draw them in and increase frequency."

Meanwhile, Ryan's said it would decide whether to add breakfast chainwide within a few weeks. That daypart, which is also being offered on one side of the Megabar on Friday through Sunday, has generated more than 6 percent of incremental sales in test stores, McCall said.

A double-serving line designed to help Ryan's improve speed of service is currently being tested in one restaurant. In recent months the chain expanded seating by 30 percent in its units. The double line would enable stores to seat customers quicker, eliminating troublesome serving-line backups, McCall said.

In addition, he said Mexican menu items are on the drawing board, but he would not elaborate.

Ryan's, which has opened two company stores this year, plans to open 24 more company restaurants and six franchised outlets in 1988. Plans call for expansion into Missouri and Louisiana, where the company currently has no restaurants. It also plans to strengthen its presence in the Midwest, where about 30 percent of the chain's restaurants now operate, McCall said.

Snow sets $3.5 million price for Seville Quarter

By Karen Bruno

PENSACOLA, Fla. — Bob Snow, the Orlando, Fla.-based entrepreneur known for the success of an entertainment and dining extravaganza called Church Street Station, has put the Seville Quarter, its precursor, up for sale.

"The terms are very negotiable," Snow said of the boarded-up complex, which has been closed since December 1986. "I'm anxious to dump it." The asking price is $3.5 million.

Seville Quarter, which opened in this sleepy town in 1967, was the genesis of Church Street Station, which opened in the early '70s. The Seville Quarter complex included Rosie O'Grady's Good Time Emporium, a New Orleans-styled saloon and dance hall that became Church Street's biggest money-maker.

Among the concepts that constituted Seville Quarter and turned up at Church Street are Lili Marlene's, modeled after a French cafe; Apple Annie's, a fruit-bar and Victorian-era saloon; and Phineas Phogg's Balloon works, a disco and hamburger outlet.

Seville Quarter was once considered the largest attraction on Florida's Gulf Coast.

Unlike Church Street Station, however, Seville Quarter never benefited from the huge growth of tourism that hit Orlando in the late '70s and afterward. Nevertheless, the complex was considered the largest attraction on Florida's Gulf Coast, with sales of $4 million a year in 1984, its last year of operation.

Snow first sold Seville Quarter in 1984 to buyers who later defaulted on payments. After he bought it back a year and a half ago, he renovated it and again put it on the market. The sale includes all the antiques Snow uses to decorate the 35,000-square-foot complex.

"I have too much going on to run it," Snow said. Some of his projects include construction of a new hotel at Church Street Station and an entertainment complex, Winchester Station, in Las Vegas, Nev.

"It's like walking into a time capsule," he said of the empty buildings. "But you can't go backward."

CORRECTION

"Olympic organizers hire ARA as feeding consultant," Jan. 25, page 2, incorrectly indicated that ARA Services' total annual sales are $1.2 billion. That number is an estimate of only domestic manual food-service revenue. Including vending, international, and coffee service revenues, ARA's total annual sales are about $2 billion, company officials said.

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FINANCIAL NEWS

CFRA: Take-out and delivery sales to boost Canadian food growth in '88

TORONTO — A 14-percent rise in take-out and delivery sales will nudge total Canadian food-service revenues upward by 7 percent this year, yielding an inflation-adjusted growth of only 2.5 percent, according to the Canadian Restaurant and Foodservice Assocation.

In revealing its annual sales forecasts to members, the CRFA said the coming "steady but unspectacular" year bodes particularly ill for full-service restaurants that sell liquor. Such places will be "fighting to keep pace with inflation," with nominal sales projected to inch upward by 5 percent, or by a negligible 0.5 percent in inflation-adjusted, or real, terms, the association said.

"The aging baby boomers are believed to be the culprit," the CRFA stated in its monthly newsletter. "Their belated decision to have children and their growing moderation in the consumption of alcoholic beverages are having an impact. The purchase of housing by this group at a record level in 1987 has also forced these heavy restaurant users to cut back expenditures in other regions."

That theory has been used by casual-theme restaurant chains in the U.S. to explain that segment's lackluster financial performance in recent years.

However, U.S. fine-dining restaurants, which seem mired in sales and profit slumps of their own, prefer to blame their financial woes on a combination of trying economic times, cutthroat competition, and runaway commodity prices.

The Washington-based National Restaurant Association has forecasted a 7.1 percent upswing in total U.S. food-service sales for 1988. That translates into real growth of 2.9 percent. The U.S. trade group does not break out figures for full-service restaurants licensed to sell alcohol.

Restaurants of that type outpaced all other categories of Canadian food-service establishments in sales growth during 1985 and '86, posting jumps of 11.9 percent and 10.9 percent, respectively. However, the boom went bust last year, with sales rising only 5.5 percent, or 1.6 percent in real terms.

In 1988, the CRFA predicts, take-out and delivery outlets will set the pace, with real sales likely to soar by 9.5 percent.

"The growth of in-home entertainment, the echo boom [the baby boom spawned by Baby Boomers], and the high level of microwave ownership will stimulate above average growth for this sector," the CRFA said.

Also likely to perform well this year, the association said, are social and contract caterers, with sales forecasted to swing upward by 9 percent. However, that gain pales in comparison to the 15.2 percent jump registered in 1987.

Canadian restaurants that are not licensed to sell liquor are expected to take in 9.5 percent more in sales during 1988 than they did the prior year.

That segment's players, including fast-food outlets, "are regaining the customers lost to full-service restaurants during the heady economic expansion of 1985 and 1986," the CRFA commented. "Menu broadening has expanded the appeal of many convenience restaurants and boosted check averages. New concepts, such as diners, have developed their own market niches."

Although those places will no doubt feel a mounting Canadian labor shortage and the resulting upward pressure on payroll costs, they will be unaffected by an increase in the federal taxes on alcoholic beverages.

Those two factors—increased labor costs and rising taxes—will raise the inflation rate for Canadian food-service facilities to 4.5 percent, compared with last year's pace of 3.9 percent.

CANADIAN FOOD-SERVICE SALES TRENDS BY SEGMENT

(Annual change, in percent)

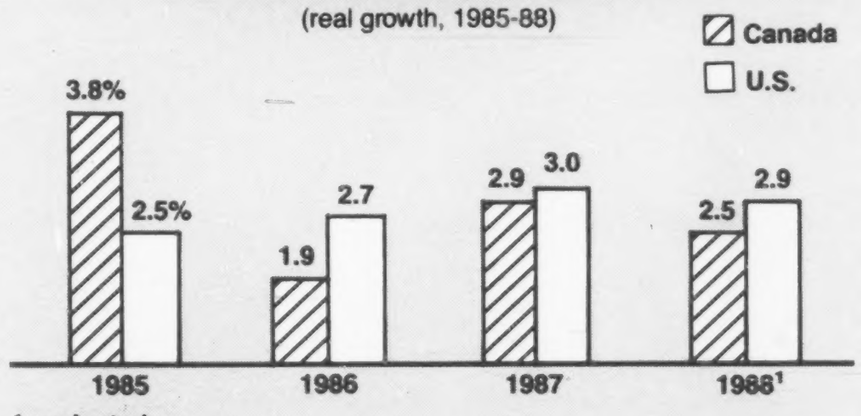
	1987[1]	1988[2]
Liquor-serving restaurants	5.5%	5.0%
Restaurants without liquor licenses	8.8	9.5
Institutional facilities	3.0	4.5
Take-out/delivery	16.3	14.0
Catering	15.2	9.0
Taverns	6.2	6.0
Motion picture theatres	5.8	8.0

[1]Preliminary
[2]Projection

Source: Canadian Restaurant and Foodservice Association

CANADIAN FOOD-SERVICE SALES VS. U.S. FOOD-SERVICE SALES

(real growth, 1985-88)



[1] projected

Source: Canadian Restaurant and Foodservice Association, National Restaurant Association

NRN FINANCIAL DIGEST

Marriott posts big earnings gains

BETHESDA, Md. — Despite meager gains from its restaurant operations, Marriott Corp. posted a 16-percent rise in net earnings, to $223 million, on a 24-percent rise in revenues, to $6.5 million.

Chairman J.W. "Bill" Marriott Jr. attributed the gains to favorable economic conditions. In contrast, most restaurant concerns have described the industry's current environment as extremely trying.

A 10-percent leap in contract-feeding operating profits offset the dampening effects of a 4-percent incline in restaurant operating earnings. Restaurant sales rose 10 percent, while contract-feeding intake bounded upward by 33 percent.

Hotel operating profit increased 22 percent on a 20 percent sales rise.

Perkins' fourth-quarter income rises

MEMPHIS — Perkins Family Restaurants, the 330-unit family restaurant chain seeking to acquire a 170-unit crosstown rival for $93.6 million, reported an 85-percent rise in net income, to $1.2 million, for the fourth quarter.

Revenues were $33.9 million, down 7.7 percent from the prior year, according to the company. The most recent quarter was 24 days shorter than a year-ago period.

Perkins recently bid $13 a share for all outstanding stock of Shoney's South, a Shoney's Inc. franchisee.

Pepsico restaurant profits gain in '87

PURCHASE, N.Y. — The combined operating profits of Pizza Hut, Taco Bell and Kentucky Fried Chicken rose 57 percent during 1987 on the strength of a 58-percent sales jump, disclosed the chains' parent, Pepsico Inc.

Pizza Hut and Taco Bell collectively posted a 12-percent rise in profits, with the remainder of the earnings increase coming from Kentucky Fried Chicken, Pepsico said.

Net income totalled $595 million, up 30 percent, as revenue rose 26 percent to $11.5 billion.

Foodmaker's profits up in 1st quarter

SAN DIEGO — A 16-percent rise in comparable unit sales for the first quarter ended Jan. 17 yielded an eight-fold rise in net profits for Foodmaker Inc., franchisor of the Jack in the Box burger chain.

Earnings totaled $3.2 million, compared with the $400,000 posted for the same period of the prior year, the company said.

Revenues for the most recent quarter were $194.6 million, up 14.5 percent from the prior year, according to Foodmaker.

Callender's 'disappoints' Ramada

PHOENIX — The Marie Callender's coffee-shop chain generated a "disappointing" $8.8 million in operating profits on revenues of $113.1 million last year, lamented its new parent, Ramada Inc.

The innkeeper noted that it garnered only $1.6 million more in operating earnings from Callender's last year than it did in 1986, when Ramada owned the restaurant chain for only seven months.

ADVERTISER INDEX

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